

AUDITING

In addition to contract monitoring, audits may or may not be required by funders, by request of the Board of Supervisors or by the contracting department. There are a variety of kinds of audits that may be conducted, each of which has specific goals and objectives. Depending on the nature of the audit, the focus may be on data and activity that has already occurred, or it may focus on a combination of past and current data and activity. Audits may focus on a specific problem area or they may be broad in scope and be required as a regular part of the contracting process.

Audits can be performed by internal auditors, which, as the name implies, are internal to the organization auditing the agency, or they may be performed by external auditors that are under contract with the organization auditing the agency. Or, the auditors may be working for State, or federal agencies that have provided funding to the County. Most often, audits will be handled by the County's Auditor-Controller or his designees.

Agencies that contract with the County may be subject to financial audits, contract compliance audits, program audits, or special investigations. Definitions of the various types of audits are included below.

1. Financial Audits

Financial audits focus primarily on an examination and verification of an agency's accounting records and supporting data for the purpose of ensuring program funds are accounted for and financial reports are accurate. As part of these audits, the agency's system of internal controls over such areas as cash receipts and revenue, procurement, payroll, management information systems, and security systems and procedures will be evaluated to determine the level of reliance that the auditor can place upon these controls in determining the accuracy of the agency's accounting records and financial reports or statements. The purpose of financial audits is to evaluate the accuracy of financial data included in an agency's financial reports or financial statements. An independent Certified Public Accountant (CPA) generally conducts financial audits.

2. Compliance Audits

These audits typically occur after the close of a contract term, but may occur within the term of a contract. Compliance audits will generally evaluate the level of contractor compliance with the contract's Terms and Conditions, the provisions and requirements specified in the Statement of Work and compliance with related laws and regulations. Often, compliance audits will include an evaluation of fees the agency earned

under the contract and payments made to the agency by the County, along with a computation of an amount due to, or due from the County.

3. Program Audits

Program audits include determining the extent to which desired results or benefits established by the legislature have been achieved. The County may also design program audits to assess the delivery of contract services in terms of efficiency, effectiveness, and their contribution toward achieving improved outcomes for children and families. These types of audits may also assess the effectiveness of programs, activities or functions and whether or not the entity has complied with regulations applicable to the program. A program audit could also seek to evaluate program costs in relation to program benefits. As the name implies, program audits typically focus on a program as a whole. Therefore, generally an individual agency would not be the focus of a program audit. Rather, individual agencies would be included in a program audit from the standpoint that they are a participant, or contributor to the program being evaluated.

4. Investigative Audits

Some audit activities take the form of Special Investigations. The objective of these investigations is often to evaluate specific problem areas and determine the appropriate corrective action measures that are warranted. Suspected fraud may be the event that triggers the need for such an audit. In many instances, an investigative audit may result in a subsequent more in-depth review of an agency with the goal of improving the agency's internal controls, or operating policies and/or procedures.